

**CMBI Credit Commentary****Fixed Income Daily Market Update 固定收益部市场日报**

- *Markets were quieter this morning compared with previous days. HRINTH curve rose 2-4pts with one way buying flows while ORIEAS/GRWALL were under better selling. Low-beta HK/Korea names performed firm. LGFV/SOE Perps were stable amid few flows.*
- **HRINTH:** *What are behind the name change? HRINTHs rose 2-4pts this morning. See below.*
- **APLNJ:** *Second tender offer for APLNIJ 5.95 06/02/24 at a minimum price of USD60. See below.*

**❖ Trading desk comments 交易台市场观点**

Yesterday, Asia ex-JP IG space opened 2-5bps tighter post the lower-than-expected US Oct CPI. High coupon EU AT1s remained active, UBS 9.25 Perp, SOCGEN 10 Perp and BNP 8.5 Perp were unchanged to 0.4pt higher. Korea space was under strong buying. HYUELE/NACF/SHNHAN/KOEWPW were 2-5bps tighter. Chinese AT1s performed firm. ICBCAS 3.58 Perp, CINDBK 4.8 Perp and BCHINA 3.6 Perp rose c0.25pt. In AMC sector, we saw buyers across CCAMCL curve. HRINTHs were unchanged to 0.7pt higher. Last night, the company made four announcements including acquisition of 5.01% stakes of CITIC Ltd and name change. We consider these are credit positive. See below for our comments. High-beta TMTs MEITUA/WB/XIAOMI tightened 5-10bps amid active two way flows. Chinese SOEs continued to be firm that HAOHUA curve was 2-5bps tighter. IG developers LNGFORs, VNKRLs were unchanged to rebounded 1.5pts higher. DALWAN'25/26 down 1.5/3.2pts as its pre-IPO investors rejected its initial proposal to postpone the repayment of pre-IPO investments. In Macau gaming sector, SJMHOLs were unchanged while MGMCHIs and WYNMACs rose 0.1 to 1pt. In SEA, APLNIJ'24 rose 3pts after announcement of cUSD64mn tender offer. See below for details of the tender offer.

LGFV/SOE Perp spaces were continued to be sought after with flows from onshore RMs amid risk-on sentiment. Quality LGFVs performed well that JNHTE'24 up 0.2pt and SHUGRP'24 rose 0.5pts. Property related CPDEVs were 0.2 to 0.8pt higher and ZHHFGRs were unchanged to 0.2pt higher. On the other hand, we also saw profit taking on LGFVs/SOE Perps after the rally, selling was mainly in really tight ( $\leq 6\%$ ) yielding papers.

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## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ANTOIL 8 3/4 01/26/25	93.7	4.6	DALWAN 11 02/13/26	31.3	-3.2
FIHUCN 5 02/26/28	90.6	4.4	CITLTD 4.85 04/25/46	84.4	-1.0
CHIGRA 9 1/8 01/30/24	93.4	3.8	SINOPE 4.1 04/28/45	79.8	-1.0
FOSUNI 5.05 01/27/27	62.6	3.2	TAISEM 4 1/2 04/22/52	87.5	-1.0
APLNJ 5.95 06/02/24	83.0	3.1	CITLTD 4.485 09/07/46	79.9	-1.0

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.16%), Dow (+0.47%) and Nasdaq (+0.07%) remained strong on Wednesday. The US Oct PPI was -0.5% mom, declined from +0.4% mom in Sep and was lower than the expectation of +0.1% mom. US Oct retail sales increased 0.1% mom, higher than the expectation of -0.2% mom. The UST yield rallied higher yesterday, 2/5/10/30 yield reached 4.90%/4.52%/4.53%/4.68%, respectively.

## ❖ Desk analyst comments 分析员市场观点

## ➤ HRINTH: What are behind the name change?

**What Huarong announced?**

While the market appears to have just spotted the name of China Huarong (Huarong) would be changed to CITIC Financial AMC, Huarong indeed made 4 announcements last night. In addition to name change, Huarong announced:-

1. the acquisition of 5.01% stakes in CITIC Ltd. (267 HK) for HKD13.6bn from CITIC Group. CITIC Ltd. is currently 58.1% owned by CITIC Group;
2. the completion of disposals of 5 out of 8 non-core assets. The realized consolidated gain from these disposals is RMB3.5bn (vs. cRMB2.5bn estimated gain from offshore bond repurchases);
3. XU Jiongwei was appointed as VP of Huarong. Xu was the chairman of China Securities Investment Co. Ltd., 100% owned CSC Financial Co., Ltd. (6066 HK) which, in turned, is 35.8%, 30.8% and 4.9% owned by Beijing Financial Holdings, Central Huijin and CITIC Securities. Beijing Financial Holdings is ultimately owned by Beijing SASAC; and
4. the abovementioned name change.

**What are the key takeaways from these announcements?**

These demonstrate that Huarong is already an integral part of CITIC Group even though the group's less than majority ownership (26.5%) in Huarong. On the other hand, the acquisition of CITIC Ltd. stakes, despite the upfront cash outflow, will provide a lift to Huarong's recurring earning and cash flow. Huarong reported a net loss of RMB6bn in 1H23. The net profit of CITIC Ltd. was RMB57.5bn in 1H23. On a pro-forma basis, the

attributable profit to Huarong's 5.01% stakes will be cRMB2.9bn. The attributable dividend in FY23 will be RMB877mn. The acquisition of CITIC Ltd. stakes, coupled with the non-recurring gain from non-core assets and offshore bond repurchases, should offer an immediate and significant lift for Huarong's profitability and capital base.

### **Will the acquisition of CITIC Ltd. stakes adversely affect Huarong's credit profile?**

To us, liquidity is not a major concern for Huarong. As we discussed in our recent pieces on its offshore bond repurchases, Huarong focuses on buying back the longer-dated and lower cash bonds. These demonstrated its confidence in its liquidity. Indeed, we believe that the name change and closer tie with CITIC Group will further enhance its access to funding channels, especially the onshore ones. Furthermore, the acquisition of CITIC Ltd. stakes will boost Huarong's asset quality, recurring earnings and cash flow. These help address the key concerns on Huarong, i.e. weakening asset quality, equity base and profitability.

### **Any change in our view on HRINTHs?**

HRINTHs opened 2-4pts higher this morning and conviction is lower. That said, we consider Huarong an improving credit story and HRINTHs still offer good carry. Their performance should also be supported by ongoing bond repurchases. We expect Huarong to continue the offshore bond repurchases as boosting P&L and equity base appear to be the priorities of Huarong and CITIC Group.

Click [here](#) for full report

### **➤ APLNIJ: Second tender offer for APLNIJ 5.95 06/02/24 at a minimum price of USD60**

Agung Podomoro Land launched a second tender offer for its only USD bond APLNIJ 5.95 06/02/24. The outstanding amount is USD131.96mn and it will purchase up to IDR1tn (cUSD64mn). The purchase price will be determined by a unmodified Dutch auction and the minimum purchase price is USD60. It intends to first accept for purchase all validly submitted instructions that do not specify an offer price or specify an offer price as USD60. The expiration deadline will be 21 Nov'23.

The tender offer will be funded with the proceeds of an IDR1tn 18-month secured loan facility made available by PT Bank Danamon Indonesia Tbk and secured by certain property mortgages. Purchase of any notes under the tender offer is conditional upon the drawdown of the facility. The tender will cut down the bond by cUSD106.7mn if it is able to purchase at the minimum purchase price of USD60 by the IDR1tn loan in full. The use of IDR loan to repay the USD bond will also help to mitigate the currency risk and refinancing risk facing the company in 1H24.

At 30 Sep'23, Agung Podomoro Land has consolidated cash and cash equivalents of IDR986.8bn (cUSD63.5mn), compared with short-term debts of IDR2.5tn (cUSD162.5mn) in which 81.2% was the outstanding USD bond. Recalled that Agung Podomoro Land performed a tender offer in Jun'23. It paid USD100.8mn to settle USD168mn principal accepted for tender, at a purchase price of USD60. It was financed by a IDR1.8tn 18-month secured loan facility at 10% p.a., also from PT Bank Danamon Indonesia Tbk. APLNIJ 5.95 06/02/24 up by 3pts post tender offer announcement yesterday afternoon and 1.75pts this morning.

	o/s amt (USDmn)	Minimum purchase price	Ask px	YTM (ask, %)	Rating (M/S/F)
APLNIJ 5.95 06/02/24 <i>Source: Bloomberg.</i>	131.96	USD60	86.26	36.05	Caa3/-/CCC-

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
ABC London Branch	300	3yr	5.955%	SOFR+60	A1/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
ABC HK Branch	USD	-	2yr	SOFR+100	A1/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 79 credit bonds issued yesterday with an amount of RMB104bn. As for Month-to-date, 747 credit bonds were issued with a total amount of RMB759bn raised, representing a 12.1% yoy decrease
- [CPDEV]** S&P affirmed Beijing Capital Group at BBB- and placed stable outlook
- [EHOUSE]** E-House creditors approve offshore restructuring plan via schemes of arrangement
- [FRESHK]** Far East Horizon repurchased RMB272.4mn of 4.7% notes due 2024
- [GLPSP]** GLP signs strategic cooperation agreement with China Life unit
- [JD]** JD.com 3Q23 revenue rose 1.7% yoy to USD34bn and EBITDA up 12% yoy to USD1.8bn
- [LNGFOR]** Moody's downgraded Longfor CFR to Ba1 from Baa3 and placed negative outlook
- [MEDCIJ]** Medco Energi obtains USD 480.18m loan from subsidiary Medco Energi Global for refinancing, tenders
- [YUNINV]** Yunnan Provincial Investment issues RMB1.5bn two-year corporate bonds at 4% coupon rate to repay debts

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